

***CONSOLIDATED FINANCIAL STATEMENTS  
IN CANADIAN CURRENCY  
AND THE 1970 AUDITORS' REPORT***

***THE MEXICAN LIGHT AND POWER COMPANY, LIMITED AND  
SUBSIDIARY COMPANIES***



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# THE MEXICAN LIGHT AND POWER COMPANY, LIMITED AND SUBSIDIARY COMPANIES

## SUBSIDIARY COMPANIES

Cía. de Luz y Fuerza de Pachuca, S. A.

Cía. Mexicana Meridional de Fuerza, S. A.

Cía. de Luz y Fuerza del Centro, S. A.

Cía. de Luz y Fuerza Eléctrica de Toluca, S. A.

Cía. Mexicana Hidroeléctrica y de Terrenos, S. A.

## *Auditors' Report*

To the Shareholders of  
The Mexican Light and Power Company, Limited:

In our opinion, the consolidated balance sheet in Canadian Currency and the related statements of profit and loss and movement of shareholders' investment fairly present the financial position of The Mexican Light and Power Company, Limited, and subsidiary companies, as of December 31, 1970, and the result of their operations for the year ended on that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made in accordance with generally accepted auditing standards including, consequently, the auditing procedures which we considered necessary in the circumstances.

DESPACHO MANUEL RESA

Manuel Resa  
Public Accountant

April 5, 1971.  
Mexico, D. F.



# Consolidated Balance Sheet

(Expressed in millions of Mexican pesos)

ASSETS		1970	1969
CURRENT:			
Cash .....		\$ 17,433,194	\$ 22,598,342
Consumers' accounts receivable, net .....		29,061,115	26,367,941
Material and supplies, at average cost, net .....		10,380,125	11,660,834
Debtors, claims, and other current assets .....		14,279,748	11,115,996
Insurance and other pre-paid expenses .....		1,748,596	1,652,073
		<u>\$ 72,902,778</u>	<u>\$ 73,395,186</u>
OTHER:			
Loans to employees .....		\$ 39,087,258	\$ 30,374,237
Investment in securities, at cost .....		113,689	105,906
Instruments receivable, non-current .....		909,490	1,985,659
Pre-paid expenses and other non-current assets .....		1,077,896	1,286,458
		<u>\$ 41,188,333</u>	<u>\$ 33,752,260</u>
FIXED, AT COST:			
Property, plant and equipment (Note 1) .....		\$ 471,328,987	\$ 432,129,185
Less: Accrued depreciation and amortization (Note 2) .....		143,075,273	131,705,958
		<u>\$ 328,253,714</u>	<u>\$ 300,423,227</u>
Construction work in progress .....		38,071,842	33,812,020
Stores for construction .....		1,265,671	767,785
Advances for construction .....		1,070,417	528,171
		<u>\$ 368,661,644</u>	<u>\$ 335,531,203</u>
On behalf of the Board:			
Lic. HUGO B. MARGAIN		<u>\$ 482,752,755</u>	<u>\$ 442,678,649</u>
Lic. GUILLERMO VILLARREAL CARAVANTES			



# as at December 31, 1970

(Canadian Currency)

(With comparative figures as at December 31, 1969)

LIABILITIES		1970	1969
CURRENT:			
Accounts payable to suppliers, contractors and others .....		\$ 8,652,702	\$ 6,172,888
Dividends declared .....		426,299	426,299
Current portion of long-term debt .....		35,135,460	37,391,052
Accrued interest, wages, and other expenses .....		4,578,473	4,592,764
Employees' and pensioners' Savings Fund .....		1,468,442	1,345,918
		<u>\$ 50,261,376</u>	<u>\$ 49,928,921</u>
LONG TERM: (see statement attached) .....		<u>\$ 197,654,913</u>	<u>\$ 181,071,864</u>
OTHER:			
Provision for pensions (Note 3) .....		\$ 15,152,401	\$ 13,895,594
Separation payments (Note 3) .....		10,922,308	9,097,745
Consumers' and other deposits .....		10,818,984	10,226,731
Differences from translation of foreign currencies (Note 1) ....		11,165,302	—
		<u>\$ 48,058,995</u>	<u>\$ 33,220,070</u>
		<u>\$ 295,975,284</u>	<u>\$ 264,220,855</u>
SHAREHOLDERS' INVESTMENT			
CAPITAL STOCK:			
Preferred shares			
Authorized and issued 852,598 shares having a par value of \$ 13.50 Can. Cy. per share (Note 4) .....		\$ 11,510,073	\$ 11,510,073
Common shares of no par value:			
authorized 5,000,000			
issued 4,196,111		31,928,205	31,928,205
		<u>\$ 43,438,278</u>	<u>\$ 43,438,278</u>
EARNED SURPLUS:			
Statutory reserve .....		\$ 3,755,050	\$ 3,738,516
Reinvestment reserve .....		45,352,801	45,352,801
Retained earnings reserve .....		38,923,080	39,992,449
Unallocated income of previous years .....		11,039,829	—
Unallocated income for the year, after deducting \$ 199,454 in 1970 (\$ 603,065 in 1969) transferred to statutory reserve		7,166,857	10,879,204
		<u>\$ 106,237,617</u>	<u>\$ 99,962,970</u>
		<u>\$ 149,675,895</u>	<u>\$ 143,401,248</u>
CONSUMERS' COOPERATION TOWARD EXTENSIONS .....		<u>\$ 37,101,576</u>	<u>\$ 35,056,546</u>
		<u>\$ 482,752,755</u>	<u>\$ 442,678,649</u>

(The attached Notes form part of this statement)



# Statement of Consolidated Profit and Loss for the Year Ended December 31, 1970

(With comparative figures as at December 31, 1969)

(Expressed in Canadian Currency)

	1970	1969
OPERATING REVENUE	\$ 183,318,704	\$ 172,212,415
OPERATING AND OTHER EXPENSES:		
Energy purchased .....	\$ 48,168,227	\$ 45,142,366
Fuel .....	6,528,528	6,189,555
Wages .....	44,255,340	40,041,173
Employee benefits .....	36,417,321	31,584,738
Other operating and maintenance expenses .....	8,528,201	8,446,100
Administrative expenses .....	2,168,674	1,911,086
Provision for doubtful accounts .....	691,095	675,019
Taxes and duties .....	2,521,789	2,579,039
Provision for depreciation and amortization - (Note 2) .....	11,369,315	10,224,113
	<u>\$ 160,648,490</u>	<u>\$ 146,793,189</u>
NET OPERATING REVENUE .....	22,670,214	\$ 25,419,226
OTHER REVENUE .....	1,099,761	483,373
	<u>23,769,975</u>	<u>\$ 25,902,599</u>
INTEREST ON LONG TERM DEBT .....	\$ 18,609,324	\$ 16,066,720
Less: Interest during construction .....	\$ 1,642,744	608,221
	<u>\$ 16,966,580</u>	<u>\$ 15,458,499</u>
Less: Interest earned on investments in immediately re- deemable securities .....	1,324,118	1,989,329
NET INTEREST .....	<u>\$ 15,642,462</u>	<u>\$ 13,469,170</u>
PROVISION FOR EMPLOYEES PROFIT-SHARING .....	761,202	951,160
	<u>\$ 16,403,664</u>	<u>\$ 14,420,330</u>
Net profit for the year .....	\$ 7,366,311	\$ 11,482,269
Appropriation to Statutory Reserve .....	199,454	603,065
Unallocated income for the year .....	<u>\$ 7,166,857</u>	<u>\$ 10,879,204</u>

NOTE: The administrative expenses include the amount of \$199,213.77 Can. Cy. for remuneration to the Directors.

(The attached notes form part of this statement)



# *Consolidated Statement of Movement of Shareholders' Investment for the Year Ended December 31, 1970*

(Expressed in Canadian Currency)

	Capital Stock	Statutory Reserve	Reinvestment Reserve	Retained Earnings Reserve	Unallocated Income from Previous Years	Unallocated Income for Current Year	Consumers' Cooperation toward extensions
Balance at December 31, 1969 .....	\$ 43,438,278	\$ 3,738,516	\$ 45,352,801	\$ 39,992,449	\$ —	\$ 10,879,204	\$ 35,056,546
Transfer of the 1969 profits .....					10,879,204	(10,879,204)	
Adjustment of the provision for employees' share in profits in 1963 and 1969 .....				(216,771)	(22,295)		
Adjustment to estimated appropriation to the Statutory Reserve in 1969 .....		(182,920)			182,920		
Dividends declared by The Mexican Light and Power Company, Limited, in cash, on the preferred shares (\$ 1.00 Can. Cy. per share) ....				(852,598)			
Consumers' cooperation toward extensions in 1970 .....							2,045,030
Net profit for the period from January 1 to December 31, 1970 as per consolidated statement of earnings, deducting the appropriation to the Statutory Reserve .....		199,454				7,166,857	
Balance as of December 31, 1970 .....	<u>\$ 43,438,278</u>	<u>\$ 3,755,050</u>	<u>\$ 45,352,801</u>	<u>\$ 38,923,080</u>	<u>\$ 11,039,829</u>	<u>\$ 7,166,857</u>	<u>\$ 37,101,576</u>

*Consolidated Statement of Long Term Liabilities  
as at December 31, 1970*

	<u>Currency Payable In</u>	<u>Original Currency</u>	<u>Canadian Currency</u>
First Mortgage and Collateral Trust Bonds:			
5 % Series "A" semi-annual Sinking Fund Bonds and Debenture Stock, due 1975 .....	US CAN	3,026,700	\$ 3,064,534 89,665
4 1/2 % Series "B" serial Bonds, semi-annual maturities to 1975, guaranteed by Federal Government .....	US	7,558,000	7,652,475
7 % Series "D" serial Bonds, semi-annual maturities to 1975 ...	MEX	30,728,000	2,490,961
5-5/8 % Series "E" serial bonds, semi-annual maturities to 1977, guaranteed by Federal Government .....	US CAN	4,882,284	4,943,312 383,000
6 % Series "F" annual Sinking Fund Bonds, due 1983 .....	US	3,307,000	3,348,337
Total outstanding .....			<u>\$ 21,972,284</u>
5 1/2 % Cumulative Income Debenture Stock, interest and sinking fund of \$ 92,487 US Cy. payable annually. The guaranty is a general lien on the Company's property in case of default .....	US	2,954,470	<u>\$ 2,991,401</u>
Other loans, subordinated to the above:			
From Nacional Financiera, S. A.			
At 7 % per annum, semi-annual maturities to 1978 ...	MEX	103,082,376	\$ 8,356,357
At 8 % per annum, semi-annual maturities to 1981 ...	MEX	70,325,694	5,700,942
At 11.25 % per annum, a re-financing of the two previous loans, with quarterly maturities from 1972 to 1989 .....	MEX	13,210,839	1,070,935
			<u>\$ 15,128,234</u>



	<u>Currency Payable In</u>	<u>Original Currency</u>	<u>Canadian Currency</u>
Federal Electricity Commission:			
Promissory Notes in its name:			
8.755% per annum, annual maturities to 1979 .....	GER	50,806,552	\$ 12,855,264
Non-interest bearing, due in December 1970 .....	MEX	60,000,000	4,863,891
Joint contracts with Nacional Financiera, S. A., for subsidiary credits:			
436-ME at 5 1/2% and 6% per annum, semi-annual maturities to 1985 .....	US	14,037,000	14,212,463
544-ME at 6%, 6 1/4% and 7% per annum, semi-annual maturities to 1988 .....	US	10,359,408	10,488,901
659-ME at 7% per annum, semi-annual maturities from 1974 to 1990 .....	US	6,242,752	6,320,786
In process .....	US	3,816,711	3,864,420
			<u>\$ 52,605,725</u>
Promissory Notes to various foreign banks:			
At 6 1/2% to 9-7/8% per annum, with serial maturities to 1979 .....	US	50,209,655	\$ 50,837,276
At 8-3/8% per annum, semi-annual maturities to 1972 .....	SW	21,578,000	5,062,500
At 10-13/16% per annum, due 1974 .....	US	15,122,250	15,311,278
At 10% and 10-1/16% per annum, due 1975 .....	US	16,524,002	16,730,552
At 11% per annum, due 1979 .....	US	16,048,159	16,248,761
			<u>\$ 104,190,367</u>
Less — Unearned interest, documented .....			2,063,097
			<u>\$ 102,127,270</u>
Promissory Notes to Mexican banks:			
At 10% and 12% per annum, with semi-annual maturities to 1976 .....	MEX	483,500,000	\$ 39,194,856
Less: Unearned interest, documented .....	MEX	15,165,596	1,229,397
			<u>\$ 37,965,459</u>
Total subordinated loans .....			<u>\$ 207,826,688</u>
			<u>\$ 232,790,373</u>
Less: Current portion of short term debt .....			35,135,460
			<u>\$ 197,654,913</u>

MEX — Mexican Pesos  
 US — American Dollars  
 CAN — Canadian Dollars  
 GER — German Marks  
 SW — Swiss Francs



# *Consolidated Statement of Source and Application of Funds for the Year Ended December 31, 1970*

(Expressed in Canadian Currency)

## SOURCE

### Internal —

Net profit of the year .....	\$ 7,166,857	
Appropriation to Statutory Reserve .....	<u>199,454</u>	\$ 7,366,311
Increase in depreciation and amortization .....		11,369,315
Cooperation from consumers during the year .....		<u>2,045,030</u>
		\$ 20,780,656

### External —

#### Long-term credits obtained from:

Foreign banks .....	\$ 51,637,500
Local banks .....	14,719,539
Federal Electricity Commission and Nacional Financiera, S. A. ....	<u>7,025,900</u>
	\$ 73,382,939
Less: Used to pay long-term debt .....	<u>11,907,000</u>
	\$ 61,475,939

Net increase in the provision for separation payments and pensions .....	3,081,370	
Difference from translation of foreign currencies .....	11,165,302	
Increase in consumers' deposits and other liabilities .....	<u>592,253</u>	76,314,864

Net decrease in working capital .....		824,863
Funds obtained .....		<u>\$ 97,920,383</u>

## APPLICATION

Additions to property, plant and equipment .....		\$ 44,499,756
Increase in other assets, principally in loans to employees .....		7,436,073
Reduction in long-term liabilities .....		44,892,890
Net reduction in earned surplus:		
Dividends on preferred shares .....	\$ 852,598	
Adjustment to employees' share of profits .....	<u>239,066</u>	1,091,664
Total funds used .....		<u>\$ 97,920,383</u>

*Notes to Consolidated Financial Statements  
as at December 31, 1970*

1. TRANSLATION OF FOREIGN CURRENCIES

During 1970 assets, liabilities and financial results in currencies other than Canadian have been translated into Canadian funds at the rate of exchange of:

\$ 12.49 Pesos = \$ 1.00 US = \$ 1.0125 Canadian, with the exception of additions to property, plant, and equipment, which were registered in Canadian currency, translating Pesos at the rate of exchange in effect on the date of their acquisition.

The procedure used produced a debit difference in exchange of \$ 11,165,302, since the Canadian dollar increased its value substantially. This amount, resulting chiefly from the reduction of long term liabilities, will be applied in the years in which the debt is paid.

2. DEPRECIATION AND AMORTIZATION

In 1969, the Company adopted the rates and methods of depreciation used by the Federal Electricity Commission (similar to those used by the majority of the companies generating electric energy in the world). The amounts accrued more than cover the retirement and replacement reserve established by the Law of the Electric Industry.

3. RESERVE FOR PENSIONS AND SEPARATION PAYMENTS

a) In 1969, based on studies by an independent actuary, the amount of pension payments to be made over the next ten years was determined, and the procedure was adopted of distributing the charges to earnings over this term.

b) A number of years ago, the Company assumed the commitment of making a separation payment to its workers equivalent to 20 days' wages for each year of services rendered. With this in mind, last year it was decided to charge to earnings each year, beginning in 1969, a provision so determined that over a period of about ten years, the accrued liability would amount to the total separation payments earned, said amounts being payable when the employees' service to the Company terminates.

4. PREFERRED SHARES

These shares are entitled to a cumulative preferred dividend of \$ 1.00 Canadian currency per share per annum, and to receive \$ 16.50 Canadian currency per share on redemption or in case of liquidation of the Company.







